

New Audit Committee responsibilities for Regulation 17 review

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A Local Government Audit Committee will now have a more important and responsible role than ever before as a result of amendments to Regulation 16 of the *Local Government (Audit) Regulations 1996* (the “Regulations”).

Since 2013, a local government CEO has been required to carry out a Regulation 17 review into the appropriateness and effectiveness of the local government’s risk management, internal control and legislative compliance of systems and procedures. The CEO must also report the results of the review to the Audit Committee.



The Regulations were amended in June 2018 so that the Audit Committee has more responsibility to help the CEO in the carrying out of a Regulation 17 review.

Changes to Regulation 16

Previously Regulation 16 limited the role of the Audit Committee to merely reviewing the CEO’s report and providing a copy to the council.

However, the amendments in June 2018 increase the function and responsibilities of the Audit Committee so it must now:

Key Points

The Audit Committee must now

- Monitor and advise the CEO when the CEO is carrying out functions in relation to a Regulation 17 review
- Oversee the implementation of any action to be taken following the CEO’s Regulation 17 report

- “monitor and advise the CEO when the CEO is carrying out functions in relation to a Regulation 17 review”; and
- “oversee the implementation of any action that the local government...has accepted should be taken following receipt of [the CEO’s Regulation 17 report]”.

The Department of Local Government Guide to Local Government Auditing Reforms suggests that the intention of the reforms is to help CEOs with the formulation of recommendations to the council, so that the matters identified in the Regulation 17 Report can be addressed.

What does this mean for local governments?

It has always been a challenge for CEOs and councils to balance the organisation’s obligations to achieve legislative compliance with its available resources, while continuing to meet community expectations in other areas.

The State Government's amendments to Regulation 16 give a strong message to local governments that governance needs to be a priority.

This is in keeping with the overarching statutory role of councils, which is to be responsible for the performance of their local government's functions (Section 2.7 of the *Local Government Act 1995*).

Interestingly, Regulation 16 therefore requires the Audit Committee to be more proactive in assisting with the structural side of governance – the nuts and bolts of systems and procedures of the organisation.

“Legislative compliance has been legislatively prioritised”

The changes to the role of the Audit Committee within Regulation 16 are somewhat of a wake-up call to local government councils and administrations throughout WA.

The Audit Committee must now be more proactive in ensuring that the local government is doing what it can to improve the systems and procedures of the organisation.

However, it is always important for the Audit Committee to properly understand its role as set out in Regulation 16, and not mistake it as a way to get involved in the day-to-day administrative running of the local government.

On the positive side, the changes to Regulation 16 present an opportunity for administrations and audit committees to see how they can and should work with each other more synergistically to raise the governance standards in their local government.

Contact

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